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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Amendment of the Part 69 Allocation of General Support Facility Costs	))	CC Docket No. 92-222

REPLY COMMENTS OF MFS COMMUNICATIONS COMPANY, INC.

MFS Communications Company, Inc. ("MFS"), by its undersigned counsel, hereby replies to the comments submitted in response to the Notice of Proposed Rulemaking that was contained in the Commission's *Special Access Expanded Interconnection Order* (the *"Order"*).[1]

The initial comments filed with the Commission in this docket revealed broad support for the proposal to amend 47 C.F.R. § 69.307 to change the allocation of General Support Facilities (GSF) investment among the interstate access categories.

The proposed amendment was opposed only by the District of Columbia Public Service Commission ("DCPSC"), which expressed concern about the increases in End User Common Line ("EUCL") charges that would be caused by the rule change. MFS believes that the concerns raised by the DCPSC relate to unique local conditions in the District of Columbia and are not generally valid elsewhere. Therefore, MFS respectfully suggests that if the Commission deems it appropriate to address these concerns, it should

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[1] *Expanded Interconnection with Local Telephone Company Facilities*, CC Dockets No. 91-141 and 92-222, Report and Order and Notice of Proposed Rulemaking, FCC 92-440, paras. 267-69 (released October 19, 1992).

do so by a waiver or other limited relief. It should not change its nationwide policies to accommodate specific local issues.

A number of parties who support the proposed amendment also requested that the Commission determine how Part 69 cost changes should be flowed through to individual access rate elements by price cap carriers. (For rate of return carriers, this is not an issue because the Part 69 allocations directly determine the level of rates; a change in one compels a change in the other.) For all baskets other than special access, MFS agrees with those parties who support an exogenous cost adjustment to the Price Cap Indexes for each basket as the most appropriate action.[2] For special access, however, a modified approach is necessary because of the Commission's determination in the *Order* that current rates for high capacity (DS-1 and DS-3) special access services likely recover a smaller share of GSF support flows than do other special access rates. As the Commission stated, "[m]ost of the Tier 1 price cap LECs have substantially reduced their DS-1 and DS-3 rates in recent years, and it therefore appears likely that rates for such services recover significantly less GSF support amounts than do other special access services." *Order*, para. 148. It is therefore essential that these services receive a smaller share of any rate reduction due to GSF reallocation, to protect customers of other special access services against being required to cross-subsidize high capacity services.

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[2] MFS does not support the suggestion by several LECs that the $3.50 per month cap on residential EUCL charges should be modified in this docket. Although such a change may be worthy of consideration as a long-term measure, it would be inappropriate to adopt it on an expedited basis without a full opportunity for comment and consideration of the potential impacts on residential users.

In response to this concern, Teleport Communications Group ("TCG") proposed that the Commission apply a uniform Rate Adjustment Factor ("RAF") to all special access rate elements. TCG apparently proposes, however, to apply the same RAF to all special access services, despite the Commission's finding that DS-1 and DS-3 services bear a smaller share of GSF support flows. To correct this deficiency, MFS proposes an adjusted RAF plan as described in Appendix A hereto. MFS' proposal would require uniform adjustments to all special access rate elements, except that DS-1 and DS-3 services only 70% of the proportionate reduction applied to other special access services. This 70% ratio was selected to reflect the fact that price cap LECs have been able to decrease prices for high capacity services, and increase prices in other special access service categories by five percent annually (so that rates can deviate overall by 10% per year) for each of the three years of price cap regulation (including the adjustments that will become effective on July 1, 1993). The use of a weighting factor will result in a somewhat greater rate reduction for customers of voice grade and other non-high capacity special access services than would TCG's across-the-board approach, thereby offsetting the higher implicit contribution those services now make to GSF support flows.

In addition to addressing the merits of the GSF reallocation proposal, a number of local exchange carriers ("LECs") urged the Commission to consider more extensive revisions to Part 69. These proposals are outside the scope of the present docket, and should not be acted upon at this time. MFS understands that the Common Carrier Bureau is currently considering a number of options for long-term changes to Part 69. Any major revision of the access charge rules should occur only after all interested parties have received notice of the options being considered and have had a full opportunity to present their views to the Commission.

Respectfully submitted,

Andrew D. Lipman RMB

Andrew D. Lipman
Russell M. Blau
SWIDLER & BERLIN, Chartered
3000 K Street, N.W.
Washington, D.C. 20007
(202) 944-4300

Attorneys for MFS Communications Company, Inc.

Of Counsel:

Cindy Z. Schonhaut
Vice President-Government Affairs
MFS Communications Company, Inc.
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
(202) 944-4209

Dated: December 21, 1992

APPENDIX A

Special Access Rate Adjustment Proposal

MFS proposes the following procedure for adjusting the special access rates of price cap carriers to account for the proposed GSF cost reallocation.

1. The following adjustments should be made *after* the determination of new price cap indexes and rate levels effective July 1, 1993. The GSF rate adjustment could be made effective simultaneously with the 1993 price cap tariffs, if the Commission so desires, provided that the GSF rate adjustments are applied to 1993 indexes and rate levels.

2. Each LEC should compute the revenue weight for each of its special access rate elements in the manner provided for calculation of the Service Band Index; *i.e.*, the base period demand multiplied by the July 1, 1993, rate for each element.

3. The revenue weight for each element in the DS-1 and DS-3 service subcategories should be multiplied by an adjustment factor of 0.7 (or 70%).

4. The overall Revenue Adjustment Factor (RAF) should be set equal to the annual reduction in Part 69 special access costs resulting from GSF reallocation, divided by the sum of the adjusted revenue weights for all special access rate elements.

5. All special access rate elements *except* those in the DS-1 and DS-3 subcategories should be reduced by a proportion equal to the overall RAF; *i.e.*,

new rate = old rate x (1 - RAF)

All rate elements in the DS-1 and DS-3 subcategories should be reduced by a proportion equal to 70% of the overall RAF; *i.e.*,

new rate = old rate x (1 - (.7 x RAF))

6. For the period from July 1, 1993, through June 30, 1994, the Commission should waive 47 C.F.R. §§ 61.47(e) and (h) to the extent that the rates adjusted according to this procedure result in a Service Band Index for any special access service category or subcategory that is below the permissible pricing flexibility band. Any proposed reduction below the adjusted level, however, should be treated as a below-band tariff filing (unless it is within the unadjusted five percent pricing flexibility band).

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of December 1992, copies of Reply Comments of MFS Communications Company, Inc. were served by first class mail, postage prepaid, on the following:

Alfred C. Sikes *
Chairman
Federal Communications Commission
1919 M Street, N.W.
Suite 814
Washington, D.C. 20554

James H. Quello *
Commissioner
Federal Communications Commission
1919 M Street, N.W.
Suite 802
Washington, D.C. 20554

Andrew Barrett *
Commissioner
Federal Communications Commission
1919 M Street, N.W.
Suite 844
Washington, D.C. 20554

Douglas Slotten, Esq. *
Policy & Program Planning Division
Federal Communications Commission
1919 M Street, N.W.
Suite 544
Washington, D.C. 20554

James Schlichting *
Chief, Policy & Program Planning Division
Federal Communications Commission
1919 M Street, N.W.
Suite 544
Washington, D.C. 20554

Ervin S. Duggan *
Commissioner
Federal Communications Commission
1919 M Street, N.W.
Suite 832
Washington, D.C. 20554

Sherrie P. Marshall *
Commissioner
Federal Communications Commission
1919 M Street, N.W.
Suite 826
Washington, D.C. 20554

Cheryl Tritt *
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W.
Suite 500
Washington, D.C. 20554

Downtown Copy Center *
Federal Communications Commission
1990 M Street, N.W.
Room 640
Washington, D.C. 20036

Martin T. McCue
Vice President and General Counsel
900 19th Street, N.W.
Suite 800
Washington, D.C. 20006

William B. Barfield
Richard M. Sbaratta
BellSouth Telecommunications, Inc.
1155 Peachtree Street, N.E.
Suite 1800
Atlanta, GA 30367-6000

Richard A. Askoff
National Exchange Carrier
Association
100 South Jefferson Road
Whippany, NJ 07981

Thomas J. Moorman
General Counsel
Regulatory and Industry
Affairs
John Staurulakis, Inc.
6315 Seabrook Road
Seabrook, MD 20706

Floyd S. Keene
Michael S. Pabian
Ameritech Operating Companies
2000 West Ameritech Center Dr.
Room 4H76
Hoffman Estates, IL 60196-
1025

Michael D. Lowe
Lawrence W. Katz
The Bell Atlantic Telephone
Companies
1710 H Street, N.W.
Washington, D.C. 20006

James P. Tuthill
Betsy S. Granger
Pacific Bell
Nevada Bell
140 New Montgomery Street
Room 1525
San Francisco, CA 94105

James L. Wurtz
Pacific Bell and Nevada Bell
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

William D. Baskett, III
Thomas E. Taylor
David S. Bence
Frost & Jacobs
2500 Central Trust Center
201 East Fifth Street
Cincinnati, OH 45202

Josephine S. Trubek
Michael J. Shortley, III
Rochester Telephone
Corporation
180 South Clinton Avenue
Rochester, NY 14646

Linda D. Hershman
Vice President - External
Affairs
The Southern New England
Telephone Co.
227 Church St.
New Haven, CT 06510

Richard McKenna
GTE Service Corporation
P. O. Box 152092
Irving, Texas 75015-2092

Gail L. Polivy
GTE Service Corp.
1850 M Street, N.W.
Suite 1200
Washington, D.C. 20036

Jay C. Keithley
United Telephone Companies
1850 M Street, N.W.
Suite 1100
Washington, D.C. 20036

Robert C. Atkinson
Senior Vice President
Teleport Communications Group
One Teleport Drive
Suite 301
Staten Island, NY 10311

Daryl L. Avery
General Counsel
Public Service Commission
of the District of Columbia
450 Fifth Street, N.W.
Washington, D.C. 20001

Dennis Mullins
Vincent L. Crivella
Michael J. Ettner
General Services
Administration
18th & F Streets, N.W.
Room 4002
Washington, D.C. 20405

James E. Taylor
Richard C. Hartgrove
John Paul Walters, Jr.
Southwestern Bell Telephone
Co.
1010 Pine Street
Room 2114
St. Louis, MO 63101

Leon M. Kestenbaum
H. Richard Juhnke
Sprint Communications Co.
1850 M Street, N.W.
11th Floor
Washington, D.C. 20036

Gregory J. Darnell
Manager, Regulatory Analysis
MCI Telecommunications Corp.
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Francine J. Ferry
David P. Condit
Judy Sello
American Telephone &
Telegraph Co.
295 North Maple Avenue
Room 3244J1
Basking Ridge, NJ 07920

Laurie J. Bennett
James T. Hannon
U S West Communications, Inc.
1020 19th Street, N.W.
Suite 700
Washington, D.C. 20036

Celia Petrowsky

Celia Petrowsky

* VIA HAND DELIVERY